

Message Text

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ACTION EUR-12

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PASS TO BEWT/TDAD/STEIN

EO 11652: NA
TAGS: BDIS RO
SUBJ: TRADE COMPLAINT: BEST COMBUSTION EQUIPMENT V. ROMCHIM

REF: USDOC 22202, BUCHAREST 7426

1. EMBOFF MET DEC 29 WITH FTO ROMCHIM'S DEPARTMENT 31
CHIEF YVONNE IONESCU TO DISCUSS TRADE PROBLEM (REF A). IONESCU,
WHO ALREADY KNEW FROM BEST'S NOVEMBER LETTER THAT ITS REPRESENT-
ATIVE HAD BEEN SENT TO ROMANIA WITHOUT AUTHORIZATION TO SIGN
CONTRACT, WAS MILDLY CONCERNED BY THIS, BUT INDICATED THAT
MORE SERIOUS PROBLEM WAS MODIFICATIONS MADE BY BEST IN ITS
NOV 5 COUNTERPROPOSAL

2. ACCORDING TO IONESCU, ROMCHIM REMAINS READY TO SIGN CONTRACT
AND INTENDS SEND FORMAL REPLY BY TELEX DEC 30 TO BEST. IONESCU
CLAIMED THAT OCT 15 "CONTRACT" WAS STANDARD CONTRACT CONCLUDED
BY ROMCHIM WITH US AND EUROPEAN FIRMS. AMONG BEST'S MODIFICATIONS
WHICH ROMCHIM FOUND UNACCEPTABLE QUOTE IN TOTALITY UNQUOTE ARE
FOLLOWING:

A. BEST'S INSISTENCE ON CONFIRMED LETTER OF CREDIT FOR
DELIVERY OF EQUIPMENT AFTER 6 MONTHS, EVEN THOUGH BEST HAS PLEDGED
DELIVERY AFTER 20 WEEKS (JULY OR AUGUST). ACCORDING TO IONESCU,
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USUAL ROMANIAN OFFER IS 45-DAY L/C WITHOUT CONFIRMATION, ALTHOUGH
DELIVERY AS LATE AS APRIL OR MAY WOULD BE ACCEPTABLE.

B. BEST WANTS L/C TO INCLUDE NOT ONLY \$100,000 PRICE OF
EQUIPMENT BUT ALSO \$2,700 COST OF TECHNICAL ASSISTANCE. IONESCU
SAYS THAT ROMANIANS NORMALLY PAY FOR TECHNICAL ASSISTANCE UPON

RECEIPT OF INVOICE.

C. ROMCHIM CLAIMS THAT ROYALTY TAXES FOR TECHNICAL ASSISTANCE SHOULD BE PAID BY BEST ACCORDING PROVISIONS OF TAXATION CONVENTION, FOR BACKGROUND THIS ISSUE SEE REF B.

3. IONESCU PROVIDED EMBOFF WITH BOTH OCT 15 AND NOV 5 DOCUMENTS FOR EXAMINATION, AND EMPHASIZED THAT ROMCHIM WAS PLEASED WITH EQUIPMENT SPECIFICATIONS AND PRICE. SHE NOTED THAT IN ADDITION TO EQUIPMENT INSTALLATION AT BACAU PLANT LOCATION, OTHER PLANT SITES IN ROMANIA ALSO HAD NEED OF BEST'S EQUIPMENT. IONESCU DESIRES THAT USG TRANSMIT TO BEST FACT THAT AS FTO, ROMCHIM IS FULLY BACKED BY GOR, AND THAT BEST'S PAYMENT GUARANTEE DEMANDS ARE THEREFORE UNNECESSARY AND EXPENSIVE FOR BOTH SIDES.

4. COMMENT: INAPPROPRIATELY TERMED TRADE COMPLAINT, BEST-ROMCHIM PROBLEM APPEARS MORE LIKE BREAKDOWN IN COMMUNICATION. IONESCU SEEMED ANXIOUS TO ASSURE EMBOFF THAT UNAUTHORIZED BEST SIGNATURE WAS MINOR CONSIDERATION AND THAT ROMCHIM WAS STILL EMPOWERED BY MINISTRIES OF FOREIGN TRADE AND CHEMICAL INDUSTRY TO CONCLUDE CONTRACT WITH BEST. EMBASSY WOULD SUGGEST, IN VIEW OF APPARENT MISUNDERSTANDING OVER HOW TO PROCEED WITH L/C FINANCING, THAT BEST INVESTIGATE THIS QUESTION WITH US BANK EXPERIENCED IN HANDLING ROMANIAN L/C'S . NOTE: MANUFACTURERS HANOVER TRUST HAS BRANCH IN BUCHAREST AND DEALS WITH SUCH QUESTIONS ON REGULAR BASIS.
BARNES

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